EXHIBIT 2

VOLKSWAGEN GROUP

ANNUAL REPORT 2023

Letter to our Shareholders

Dear Shareholders,

Growth that enhances value for years to come: that is the Volkswagen Group's objective. For our investors, for our customers, for our employees and for society as a whole.

Amidst a demanding environment, we delivered robust results in fiscal year 2023. We increased deliveries to customers by 12% to 9.24 million vehicles, with all regions contributing to this growth. In China, the Group's largest single market, we expanded by 1.6% despite a very challenging market environment. At the same time, the Volkswagen Group successfully continued its transformation, delivering 771,100 all-electric vehicles, up 34.7% compared with the previous year. In Europe, we further consolidated our strong market position in this segment.

Our robust financial performance reflects our customers' satisfaction in our products. With sales revenue of €322.3 billion, an operating result of €22.6 billion and a resulting operating return on sales of 7%, we have demonstrated the resilience of our business model. These results were achieved despite substantial headwinds from the measurement of commodity derivatives, which had had a beneficial effect on the operating result in the previous year. Another successful outcome of our endeavors was that we generated convincing net cash flow in the Automotive Division on the back of earnings of €10.7 billion. What's more, the Automotive Division's net liquidity of €40.3 billion at the end of 2023 puts us in a very solid position.

The Volkswagen Group delivers. Again and again. And it does so reliably, even in a market environment characterized by uncertainty. We are proud of our strong performance, and it is important to us that our shareholders also participate in this result. The Board of Management and Supervisory Board therefore propose a dividend of €9.00 per ordinary share and €9.06 per preferred share.

Our focus is on electrification. At the same time, we are seeing that the ramp-up of e-mobility in some regions, such as North America and Europe, is progressing at a slower rate than previously assumed. Other countries, such as China, continue to impress with the speed of their transformation. This is why the Volkswagen Group is pursuing powertrain flexibility and financial robustness. Our unique portfolio provides the right products for customers. While we are investing extensively in the ramp-up of e-mobility, we continue to offer highly competitive, efficient and attractive combustion-engine models. By including both these models and our hybrid and electric vehicles in our portfolio, we ensure maximum flexibility without losing sight of our goal – the transition to e-mobility is our priority.

The Volkswagen Group team stands for a new leadership mindset. Together, we have committed ourselves to a clear stance: one of entrepreneurship and individual responsibility, a winning stance. Volkswagen – our joint enterprise. Those are our tasks. And it is for us to solve them.

In 2023, we homed in on one of our key skills, technology leadership, which is an integral part of Volkswagen's DNA. The customers of our strong and captivating brands benefit from an intelligent platform strategy. This is also the key to creating greater efficiency, using synergies and building economic resilience in challenging and fiercely competitive times. In this process, we think from the customer's perspective and are able to offer attractive vehicles with attractive solutions at an attractive price. With the realignment of our architectures, the establishment of technology profiles, progress in implementing the battery strategy and the expansion of high-performance charging networks, we have already achieved important milestones. The realignment of our software activities also is a powerful lever in the revision of our technology strategy. We focus on our core competencies, and also collaborate with a strong network of high-performing partners.

The Volkswagen Group thinks global and acts local. We want to remain strong in Europe and China and take advantage of our growth opportunities in North America. We do so with products tailored to the various requirements of our customers in different regions. Our strategy for the largest single market is entitled "In China for China", and our actions have reflected the meaning of these words. In Hefei, we established Volkswagen China Technology Company last year. Today, more than 2,000 technology experts are already working here on the future of Chinese automaking. We aim to cut the development time for new products and technology by around 30% compared to the status quo to be in line with "China speed". We are also making our product substance in China more Chinese. Our cooperations with strong partners such as XPeng, Thundersoft and Horizon Robotics are helping to make this possible: we will continue to work on the development of vehicles that are fully aligned with the needs of Chinese customers. In the North America region, we have taken significant steps forward by making fundamental strategy decisions such as on increasingly localized production, the construction of a battery cell plant in Ontario, Canada, and the revival and electrification of the traditional Scout brand. Here we will make increased use of product synergies to leverage our growth potential with local production. Beyond the markets in China, North America and Europe, we also apply regional strategies in the growth markets of South America and India.

We established a new steering model in 2023, which signifies less head office and more entrepreneurial responsibility and greater creative freedom for the brands and their decision makers. We pursue intelligent capital allocation and set clear guidelines.

Growth that enhances value for years to come, with our transformation, ladies and gentlemen, we are making systematic progress toward realizing this objective. Step by step. After a year of reorganizing and streamlining our structures and focusing on the fundamental alignment of the Volkswagen Group, we are heading into a year of stabilizing and shaping our business. The path is clear. We are working toward the vision of a sustainably profitable group. A group with the most attractive products, the best team and the clear promise: sustainable mobility for generations to come.

Sincerely,

Oliver Blume

Brands and Business Fields

In 2023, the Volkswagen Group recorded growth in unit sales and sales revenue year-on-year in a difficult market environment impacted by limited vehicle availability.

GROUP STRUCTURE

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering business areas. Activities of the Automotive Division comprise in particular the development of vehicles, engines and vehicle software, the production and sale of passenger cars, light commercial vehicles, trucks, buses and motorcycles, as well as businesses for genuine parts, large-bore diesel engines, turbomachinery and propulsion components. Mobility solutions are gradually being added to the range. The Ducati brand is allocated to the Audi brand and thus to the Passenger Cars Business Area. The Financial Services Division's activities comprise dealer and customer financing, leasing, direct banking and insurance activities, fleet management and mobility services.

REPORTING STRUCTURE OF THE VOLKSWAGEN GROUP

Automotive Division

Passenger Cars Business Area
- Volkswagen Passenger Cars
- Škoda
- SEAT
- Volkswagen Commercial Vehicles
- Tech. Components
- Audi
- Porsche Automotive
- CARIAD
- Battery
- Others

Commercial Vehicles Business Area
- TRATON Commercial Vehicles

Power Engineering Business Area
- MAN Energy Solutions

Financial Services Division
- Dealer and customer financing
- Leasing
- Direct bank
- Insurance
- Fleet management
- Mobility services

KEY FIGURES BY DIVISION

	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
Thousand vehicles/€ million	2023	2022	2023	2022[1]	2023	2022[1]
Passenger Cars Business Area	9,023	8,175	218,380	189,312	14,704	14,603
Commercial Vehicles Business Area	339	306	45,731	39,516	3,714	1,588
Power Engineering Business Area	–	–	4,044	3,565	366	281
Automotive Division[2]	9,362	8,481	268,156	232,392	18,784	16,471
Financial Services Division	–	–	54,128	46,657	3,792	5,638
Volkswagen Group	**9,362**	**8,481**	**322,284**	**279,050**	**22,576**	**22,109**

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

KEY FIGURES BY MARKET

In fiscal year 2023, the Volkswagen Group was faced with a persistently challenging market environment. The operating result (prior-year figure before special items) amounted to €22.6 (22.5) billion. While the fair value measurement of derivatives to which hedge accounting is not applied had an adverse effect in the reporting year (€–3.2 billion), it had had a positive effect in the previous year (€+1.8 billion). A year earlier, special items resulting from the diesel issue had weighed on operating result in the amount of €–0.4 billion.

The Volkswagen Group's unit sales in the reporting year stood at 9.4 (8.5) million vehicles. Sales revenue increased by 15.5% to €322.3 billion. The higher volume, improved price positioning and mix effects had a positive impact.

In the Europe/Other markets region, unit sales increased by 19.3% year-on-year to 4.2 million vehicles. Together with improved price positioning, this increased sales revenue to €187.9 (154.5) billion.

Unit sales in the North American markets increased by 24.2% to 1.1 million vehicles in the reporting year. Driven mainly by higher volumes, sales revenue rose to €67.9 (59.9) billion.

On markets in the South America region, we sold 513 thousand vehicles in 2023, an increase of 5.3% compared with 2022. Driven mainly by higher volumes, sales revenue increased by 10.7% to €17.1 billion.

In the Asia-Pacific region, the Volkswagen Group's unit sales – including the Chinese joint ventures – came to 3.6 (3.6) million vehicles in 2023. Sales revenue amounted to €50.1 (51.4) billion. This figure does not include the sales revenue of our equity-accounted Chinese joint ventures.

Hedging transactions relating to sales revenue in foreign currency had a negative impact of €–0.8 (–2.3) billion on the sales revenue of the Volkswagen Group in the reporting year.

KEY FIGURES BY MARKET

	VEHICLE SALES		SALES REVENUE	
Thousand vehicles/€ million	2023	2022	2023	2022[1]
Europe/Other Markets	4,169	3,495	187,949	154,514
North America	1,078	868	67,908	59,910
South America	513	487	17,139	15,476
Asia-Pacific[2]	3,603	3,632	50,109	51,443
Hedges on sales revenue	–	–	–821	–2,294
Volkswagen Group[2]	**9,362**	**8,481**	**322,284**	**279,050**

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 The sales revenue of the joint venture companies in China is not included in the figures for the Group and the Asia-Pacific market.

Group Corporate Governance Declaration

The following chapter contains the content of the Group Corporate Governance Declaration required by sections 289f and 315d of the HGB and the recommendations and principles of the German Corporate Governance Code.

THE GERMAN CORPORATE GOVERNANCE CODE – A BLUEPRINT FOR SUCCESSFUL CORPORATE GOVERNANCE

Corporate governance provides the regulatory framework for corporate management and supervision. This includes a company's organization and values, and the principles and guidelines for its business policy. The German Corporate Governance Code (the Code) contains principles, recommendations and suggestions for corporate management and supervision. Its principles, recommendations and suggestions were prepared by a dedicated government commission on the basis of the material provisions and nationally and internationally accepted standards of sound, responsible corporate governance. In the interests of best practice, the government commission regularly reviews the Code's relevance in light of current developments and updates it as necessary. The Board of Management and the Supervisory Board of Volkswagen AG base their work on the principles, recommendations and suggestions of the Code. We consider good corporate governance to be a key prerequisite for achieving a lasting increase in the Company's value. It helps strengthen the trust of our shareholders, customers, employees, business partners and investors in our work and enables us to meet the steadily increasing demand for information from national and international interest groups.

DECLARATION OF CONFORMITY

(valid as of the date of the declaration)

The Board of Management and the Supervisory Board of Volkswagen AG issued the annual declaration of conformity with the Code as required by section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) on November 17, 2023 with the following wording:

"The Board of Management and the Supervisory Board declare the following:

The recommendations of the Government Commission of the German Corporate Governance Code in the version dated 28 April 2022 (the Code) that was published by the German Ministry of Justice in the official section of the Federal Gazette *(Bundesanzeiger)* on 27 June 2022 was complied with in the period from the last Declaration of Conformity dated 11 November 2022 and will continue to be complied with, with the exception of the recommendations listed below for the reasons stated there.

> a) Recommendation B.3 (Duration of first-time appointments to the Management Board)
  As it has done in the past, the Supervisory Board will determine the duration of first-time appointments to the Board of Management as it deems fit for each individual case and for the good of the company.

> g) Recommendation G.13 sentence 1 (Severance cap)
At the end of July 2022, the Supervisory Board of VOLKSWAGEN AG resolved by mutual agreement with Dr Diess to terminate his appointment as member and as Chair of the Board of Management with effect from the close of 31 August 2022. According to the agreement reached with Dr Diess, his contract shall continue to run until the end of its regular term, i.e. until the close of 24 October 2025, even following the premature termination of his appointment, provided that Dr Diess does not resign at an earlier date. Dr Diess shall accordingly not receive a severance payment but shall potentially receive his contractual remuneration for a period of more than two years following his departure from the Board of Management. It is not clear to us whether this recommendation refers only to severance payments or also to payments to a retired member of the Board of Management due to a continuing contract of service. As a precautionary measure, we are therefore continuing to declare a deviation from Recommendation G.13 sentence 1 in this respect."

The current declaration of conformity and previous declarations of conformity are also published on our website shown hereafter.

Our listed indirect subsidiaries Dr. Ing. h.c. F. Porsche AG and TRATON SE also issued a declaration of conformity with the German Corporate Governance Code. These can be accessed at the websites shown below.

The suggestions of the Code are complied with.

DECLARATION OF CONFORMITY OF VOLKSWAGEN AG
www.volkswagen-group.com/declaration

DECLARATION OF CONFORMITY BY DR. ING. H.C. F. PORSCHE AG
https://investorrelations.porsche.com/en/corporate-governance/

DECLARATION OF CONFORMITY OF TRATON SE
https://ir.traton.com/websites/traton/English/5000/corporate-governance.html

BOARD OF MANAGEMENT

The Volkswagen AG Board of Management has sole responsibility for managing the Company in the Company's best interests, in accordance with the Articles of Association and the rules of procedure for the Board of Management issued by the Supervisory Board.

Accordingly, responsibilities in the Board of Management are currently divided among ten Board functions. In addition to the "Chair of the Board of Management" function, the other Board functions have been "Technology", "Finance and Operations" (formerly "Finance"), "Human Resources and Trucks brand group" (formerly "Human Resources and Truck & Bus"), "Integrity and Legal Affairs", "Progressive brand group" (formerly "Premium"), "Sport Luxury brand group" (formerly "Sport & Luxury"), "China", "IT" and "Core brand group" (formerly "Volume"). The Chair of the Board of Management is also responsible for the "Sport Luxury brand group" Board function.

Directly attached to the Board are a number of Group Management functions that act as an extension to the Board functions. These comprise the Group Sales, Group Production, Group Procurement and Group Research and Development functions.

Further information on the composition of the Board of Management can be found in the "Members of the Board of Management" section.

Working procedures of the Board of Management

In accordance with Article 6 of the Articles of Association, Volkswagen AG's Board of Management consists of at least three people, with the precise number determined by the Supervisory Board. As of December 31, 2023, there were nine members of the Board of Management.

The Board of Management generally meets weekly. Its rules of procedure require it to meet at least twice a month. Meetings of the Board of Management are convened by the Chair of the Board of Management. The Chair is required to convene a meeting if requested by any member of the Board of Management. The Chair of the Board of Management chairs the Board of Management meetings. The full Board of Management decides on all matters unless they have been assigned to a single member of the Board of Management by the rules of

DISCLOSURES REQUIRED BY THE FÜHRUNGSPOSITIONEN-GESETZ

The statutory quota of at least 30% women and at least 30% men has applied to new appointments to the Supervisory Board of Volkswagen AG since January 1, 2016 as required by the *Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst* (*Führungspositionen-Gesetz*, FüPoG – German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors). Shareholder and employee representatives have resolved that each side will meet this quota separately. The shareholder representatives have met the quota of at least 30% women and at least 30% men since the end of the 56th Annual General Meeting on June 22, 2016. The employee representatives have met the quota since the end of the 57th Annual General Meeting on May 10, 2017. Both the shareholder and the employee representatives also fulfilled the quota on December 31, 2023.

In line with the *Gesetz zur Ergänzung und Änderung der Regelungen für die gleichberechtigte Teilhabe von Frauen an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst* (*Führungspositionen-Gesetz II*, FüPoG II – Second Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector), Volkswagen AG is subject to a mandatory participation requirement under which the Board of Management must have at least one woman and at least one man. The participation requirement has applied to the appointment of one or more members of the Board of Management since August 1, 2022. Volkswagen AG complies with this participation requirement.

For the proportion of women in management in accordance with the *Führungspositionen-Gesetz,* Volkswagen AG has set itself the target of 16.5% women in the first level of management and 23.4% women in the second level of management, each as a proportion of the active workforce, to be achieved by the end of 2025. As of December 31, 2023, the proportion of women in the active workforce at the first level of management was 15.3 (14.2)% and at the second level of management it was 21.5 (19.7)%.

REMUNERATION REPORT

The remuneration systems for the members of the Board of Management and Supervisory Board and the Remuneration Report for fiscal year 2023 are available on the website www.volkswagen-group.com/remuneration. Previous years' remuneration reports can also be found at this address. The remuneration reports contain both extensive explanations and descriptions of the remuneration systems for the members of the Board of Management and Supervisory Board as well as information on and explanations of the individual remuneration of members of the Board of Management and Supervisory Board.

CORPORATE PRACTICES APPLIED IN ADDITION TO STATUTORY REQUIREMENTS

Code of Conduct and Volkswagen Group Essentials

The Volkswagen Group's Code of Conduct is the key instrument for reinforcing employees' awareness of responsible action and decision making. The Group's underlying values and the foundation for its shared corporate culture are defined by the seven Volkswagen Group Essentials: responsibility, honesty, bravery, diversity, pride, solidarity and reliability.

MEMBERS OF THE BOARD OF MANAGEMENT

(appointments: as of December 31, 2023 or the date of departure from the Board of Management of Volkswagen AG)

DR. OLIVER BLUME (*1968)

Chair (since September 1, 2022),
Sport Luxury brand group,
Chair of the Executive Board of
Dr. Ing. h.c. F. Porsche AG,
April 13, 2018[1], appointed until 2028
Nationality: German

Appointments:

- ○ CARIAD SE, Wolfsburg (Chair)[3]

DR. ARNO ANTLITZ (*1970)

Finance and Operations,
April 1, 2021[1], appointed until 2027
Nationality: German

Appointments:

- ○ Dr. Ing. h.c. F. Porsche AG, Stuttgart[3, 4]
- ○ PowerCo SE, Salzgitter[3]
- ○ Volkswagen Financial Services AG, Braunschweig (Chair)[3]
- ○ Volkswagen Financial Services Europe AG, Braunschweig (Chair)[3]
- ⊙ Porsche Austria GmbH, Salzburg (Deputy Chair)[3]
- ⊙ Porsche Holding Gesellschaft m.b.H., Salzburg (Deputy Chair)[3]
- ⊙ Porsche Retail GmbH, Salzburg (Deputy Chair)[3]
- ⊙ Volkswagen (China) Investment Co., Ltd., Beijing[3]
- ⊙ Volkswagen Group of America, Inc., Herndon, VA (Chair)[3]

RALF BRANDSTÄTTER (*1968)

China,
Chair of the Board of Management (CEO)
of Volkswagen (China) Investment Co., Ltd.
January 1, 2022[1], appointed until 2026
Nationality: German

Appointments:

- ○ CARIAD SE, Wolfsburg[3]
- ⊙ Audi (China) Enterprise Management Co., Ltd., Beijing[3]
- ⊙ FAW-Volkswagen Automotive Co., Ltd., Changchun (Deputy Chair)[2]
- ⊙ Mobility Asia Smart Technology Co., Ltd., Beijing[3]
- ⊙ SAIC Volkswagen Automotive Co., Ltd., Shanghai (Deputy Chair)[2]
- ⊙ Volkswagen (Anhui) Automotive Co., Ltd., Hefei (Chair)[3]
- ⊙ Volkswagen Group (China) Technology Company, Ltd., Hefei (Chair)[3]

DR. GERNOT DÖLLNER (*1969)

Progressive brand group,
Chair of the Board of Management of AUDI AG
(since September 1, 2023)
September 1, 2023[1], appointed until 2026
Nationality: German

Appointments:

- ○ FC Bayern München AG, Munich (Deputy Chair)[2]
- ⊙ Audi (China) Enterprise Management Co., Ltd., Beijing (Chair)[3]
- ⊙ Automobili Lamborghini S.p.A., Sant´Agata Bolognese (Chair)[3]
- ⊙ Bentley Motors Ltd., Crewe[3]
- ⊙ Ducati Motor Holding S.p.A., Bologna (Chair)[3]
- ⊙ FAW-Volkswagen Automotive Co., Ltd., Changchun[2]
- ⊙ SAIC Volkswagen Automotive Co., Ltd., Shanghai[2]
- ⊙ Volkswagen (China) Investment Co., Ltd., Beijing[3]

DR. JUR. MANFRED DÖSS (*1958)

Integrity and Legal Affairs
February 1, 2022[1], appointed until 2028
Nationality: German

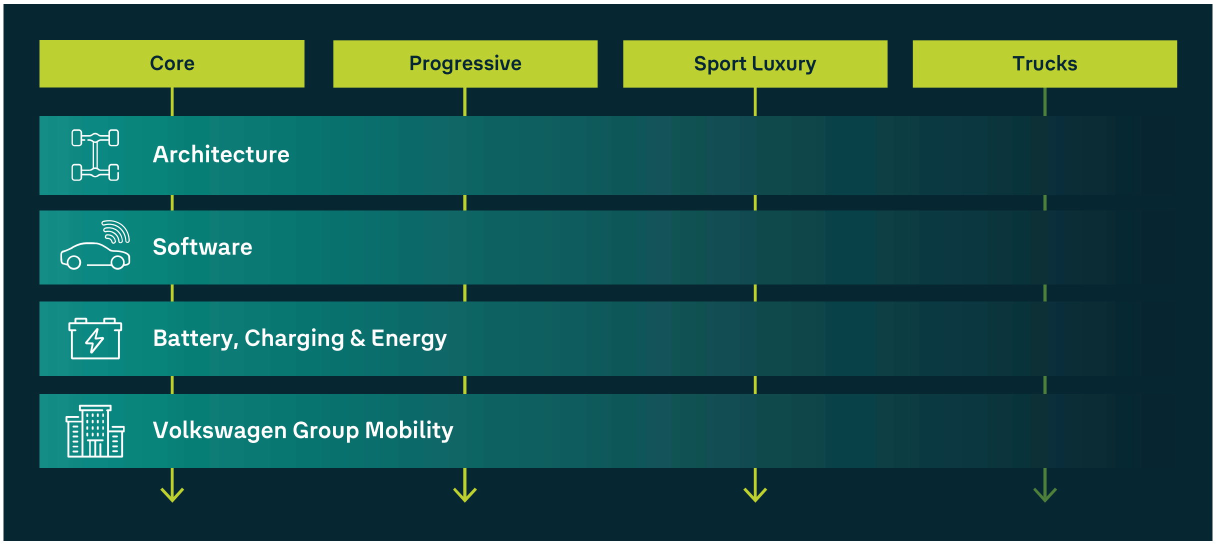
Appointments:

- ○ AUDI AG, Ingolstadt (Chair)[3]
- ○ TRATON SE, Munich[3, 4]
- ⊙ Grizzlys Wolfsburg GmbH, Wolfsburg[2]

○ Membership of statutory supervisory boards in Germany.
⊙ Comparable appointments in Germany and abroad.

1 Beginning or period of membership in the Board of Management.
2 Appointment outside the Group.
3 Appointment within the Group.
4 Listed company.

NEW AUTO FOCUSING ON THE TECHNOLOGY PLATFORMS



The most important targets for each calendar year are defined and a Top 10 program is developed at Group level so that the strategy can be implemented in operations throughout the year. Priorities in the Group's Top 10 program for 2023 were financial robustness and planning, products, the China and North America regions, software, technologies, battery and charging, mobility solutions, sustainability, and capital markets. This Top 10 program methodology has been adopted by many business units in their functional area strategies and is being used to accelerate implementation of the strategy with a high level of focus.

To make the progress in our focus topics – consisting of the initiatives of the NEW AUTO strategy and the objectives of the Group's Top 10 program applicable to the fiscal year – as transparent as possible for management and employees, the Group Board of Management decided to structure and regularly measure the strategic objectives and milestones using the OKR (Objectives and Key Results) method. Accordingly, strategic objectives and envisaged key results are defined for all focus topics. These are to be realized largely through time-limited projects and work packages, each of which is measured by specific key performance indicators. The degree of achievement is usually presented to the Board of Management three times a year. As such, the relevance of the focus topics, and their objectives, milestones, projects and work packages, are regularly reviewed at Group level. Their focus is continuously monitored and adjusted as necessary or integrated into standard operations.

We report on the main objectives and interim results achieved in the reporting year in the chapters "Internal Management System and Key Performance Indicators", "Structure and Business Activities" and "Sustainable Value Enhancement".

ARCHITECTURE

A future-oriented mechatronics platform will form the backbone for innovations, technology and lasting competitiveness at Volkswagen. With the Scalable Systems Platform (SSP), we are creating the next generation of an all-electric, fully digital and highly scalable mechatronics platform based on a standardized software architecture. With this standardized platform, which can be scaled from the smallest vehicles all the way up to the premium segment, the Volkswagen Group aims to rapidly and efficiently provide its customers with innovative functions and technologies in their vehicles, across all brands. By reducing complexity and the number of versions, the SSP will offer maximum synergies and make fast, regular technology updates possible, while lowering investment costs and ensuring the necessary differentiation between the products of the individual brands in the Group's portfolio.

bank, and thus help to enable electric vehicles to act as additional storage units and become an active part of the energy system in the future. In this way, Volkswagen wishes to make its customers part of the smart-charging and energy ecosystem for decarbonized mobility. Our goal here is farsighted use of scarce resources in the electric power industry.

VOLKSWAGEN GROUP MOBILITY

In keeping with its mission statement, “Mobility for generations to come”, the Volkswagen Group is developing mobility solutions for the future, taking into account global trends and changes in customer needs. The Group plans to bring together all of its brands’ mobility services on one mobility platform over the coming years. Autonomous driving combined with new mobility solutions is expected to mark Volkswagen’s transformation into a leading provider of sustainable mobility. A vehicle fleet covering all of the many services, from vehicle rental to car subscription and ride pooling, is to ensure high availability, usage and profitability. With these solutions, we plan to gain market shares and generate long-term competitive and attractive margins.

ESG, DECARBONIZATION AND INTEGRITY

ESG (Environmental, Social and Governance) refers to the basic principles of doing business sustainably. The Group’s stakeholders (e.g. investors, employees, customers and non-government organizations) have high expectations of the Company’s ESG performance, including in areas such as decarbonization, circular economy and integrity, and also of its conduct as an employer and as part of society. The Group’s ESG performance therefore directly affects its market capitalization, cost of capital and investing activities. We aim for a top position relative to our competitors in sustainability ratings. We are committed to the Paris Climate Agreement and align our own activities with the 1.5-degree target. We aim to achieve net carbon neutrality by 2050. By 2030, we have also set ourselves the target of reducing CO_2 emissions from passenger cars and light commercial vehicles over the total life cycle by 30% compared with 2018. As part of this effort, we are looking for ways to increase the proportion of renewable energy sources used in the product emergence process and the proportion of recyclable materials in our vehicles. We also wish to be perceived as a benchmark for ethical corporate conduct. Volkswagen sees itself as an equal opportunities employer. The intention is therefore for at least a fifth of Group management positions to be held by women by 2025, and for at least a quarter to be held by international managers.

BUSINESS MODEL 2.0

The Business Model 2.0 base initiative is developing a Group-wide portfolio of services, the purpose of which is to create a seamless and innovative product experience to connect brands, customers, dealerships, our partners and whole markets. The aim is for the key technologies needed for this to be integrated into a majority of the platform-based vehicles by 2030. Using connected vehicles, the Group’s brands are to be able in future to remain in contact with their customers throughout the entire vehicle life cycle and thus to offer them services and functions for their individual needs. This will allow us to build a competitive, data-driven service portfolio that also maintains our strong position in the automotive market in future.

NORTH AMERICA (NAR) REGION

For the Volkswagen Group, the North America region, and particularly the USA, has great growth potential, especially where e-mobility is concerned. We intend North America to become our third core region alongside Europe and China by 2030. Our aim there is to achieve a very strong increase in total market share for the Volkswagen Group by then.

We aspire to further expand our presence in the region with strong brands and prepare ourselves for the future with market-specific products.

The focus of intrayear internal management is therefore on adapting ongoing activities. The current forecast serves as the starting point for the subsequent medium-term and budget planning.

CORE PERFORMANCE INDICATORS IN THE VOLKSWAGEN GROUP

As part of our new leadership model, we have adjusted the core performance indicators in the Volkswagen Group. These now include:

> Deliveries to customers
> Sales revenue
> Operating result
> Operating return on sales
> Automotive investment ratio
> Net cash flow in the Automotive Division
> Net liquidity in the Automotive Division
> Return on investment (ROI) in the Automotive Division (until 2023)

Deliveries to customers (including the Chinese joint ventures) are defined as handovers of new vehicles to the end customer. This figure reflects the popularity of our products and is the measure we use to determine our competitive position in the various markets. Deliveries are closely related to our goal of transforming the Volkswagen Group into one of the world's leading providers of sustainable mobility. One of the most important prerequisites for the Company's long-term success is a strong brand portfolio that – on the basis of outstanding quality – offers tailor-made mobility solutions in the form of safe, connected, resource-efficient and thus largely emission-free vehicles that meet the diverse needs of customers. Demand for our products and mobility services guarantees not only unit sales and production, but also full utilization of our sites and the jobs of our employees. The goals we are striving for cannot be achieved without a skilled, flexible and dedicated workforce along with a consensus on shared values.

Sales revenue, which does not include the figures for our equity-accounted Chinese joint ventures, reflects our market success in financial terms. Following adjustment for our use of resources, the operating result reflects the Company's actual business activity and documents the economic success of our core business. The operating return on sales is the ratio of the operating result to sales revenue.

The automotive investment ratio indicates the ratio of investment to sales revenue and is calculated by adding the research and development ratio (R&D ratio) and the capex to sales revenue ratio. The research and development ratio in the Automotive Division shows total research and development costs in relation to sales revenue. Research and development costs comprise a range of expenses, from futurology to the development of our marketable products. Particular emphasis is placed on the environmentally friendly orientation and digitalization of our product portfolio, the expansion of our battery expertise, the development of software and new platforms and the creation of new technologies. The R&D ratio reflects the activities we have undertaken to safeguard the Company's future viability. The ratio of capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) to sales revenue in the Automotive Division reflects both our innovative power and our future competitiveness. It shows our capital expenditure – largely for modernizing, expanding, electrifying and digitalizing our product range and for environmentally friendly drivetrains, as well as for adjusting production capacities and improving production processes – in relation to the Automotive Division's sales revenue.

Net cash flow in the Automotive Division represents the excess funds from operating activities available for dividend payments, for example. It is calculated as cash flows from operating activities less cash flows from investing activities attributable to operating activities.

Net liquidity in the Automotive Division is the total of cash, cash equivalents, securities, time deposits and loans not financed by third-party borrowings. To safeguard our business activities, we have formulated the strategic target that net liquidity in the Automotive Division should amount to approximately 10% of the consolidated sales revenue.

We use the return on investment (ROI) to calculate the return on invested capital for a particular period in the Automotive Division, including the equity-accounted Chinese joint ventures on a proportionate basis, by calculating the ratio of the operating result after tax to average invested capital. If the return on investment (ROI) exceeds the market cost of capital, the value of the Company has increased. This is how we measure the financial success of our brands, locations and vehicle projects.

In our Financing the Transformation base initiative, we stepped up our activities to optimize net cash flow. To achieve the strategic goals, performance programs have also been launched Group-wide in an effort to increase efficiency and boost earnings.

Structure and Business Activities

This chapter describes the legal and organizational structure of the Volkswagen Group and explains the material changes in 2023 with respect to equity investments.

OUTLINE OF THE LEGAL STRUCTURE OF THE GROUP

Volkswagen AG is the parent company of the Volkswagen Group. It develops vehicles and components for the Group brands, but also produces and sells vehicles, in particular passenger cars and light commercial vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its capacity as parent company, Volkswagen AG holds direct or indirect interests in AUDI AG, SEAT S.A., Škoda Auto a.s., Dr. Ing. h.c. F. Porsche AG, TRATON SE, Volkswagen Financial Services AG, Volkswagen Bank GmbH and a large number of other companies in Germany and abroad. More detailed disclosures are contained in the list of shareholdings in accordance with sections 285 and 313 of the *Handelsgesetzbuch* (HGB – German Commercial Code), which can be accessed at www.volkswagen-group.com/investor-relations and is part of the annual financial statements.

Volkswagen AG is a vertically integrated energy supply company as defined by section 3 no. 38 of the *Energiewirtschaftsgesetz* (EnWG – German Energy Industry Act) and is therefore subject to the provisions of the EnWG. In the electricity sector, Volkswagen AG generates, sells and distributes electricity as a group together with its subsidiaries.

The Volkswagen AG Board of Management has sole responsibility for managing the Company. The Supervisory Board appoints, monitors and advises the Board of Management; it is consulted directly on decisions that are of fundamental significance for the Company.

ORGANIZATIONAL STRUCTURE OF THE GROUP

The Volkswagen Group is one of the leading multibrand groups in the automotive industry. The Company's business activities comprise the Automotive and Financial Services divisions. Our core brands within the Automotive Division – with the exception of the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands – are independent legal entities.

The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering business areas.

The Passenger Cars Business Area primarily consolidates the Volkswagen Group's passenger car brands and the Volkswagen Commercial Vehicles brand. Activities focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business. The product portfolio ranges from compact cars to luxury vehicles and also includes motorcycles, and is supplemented by mobility solutions.

The Commercial Vehicles Business Area primarily comprises the development, production and sale of trucks and buses, the corresponding genuine parts business and related services. The commercial vehicles portfolio ranges from light vans to heavy trucks and buses. The collaboration between the commercial vehicle brands is coordinated within TRATON SE.

The Power Engineering Business Area combines the large-bore diesel engines, turbomachinery and propulsion components businesses.

The Financial Services Division's activities comprise dealer and customer financing, leasing, direct banking and insurance activities, fleet management and mobility services.

With its brands, the Volkswagen Group is present in all of the markets around the world that are relevant for the Group. The key sales markets currently include Western Europe, China, the USA, Brazil, Türkiye, Mexico, Poland and Czech Republic.

Volkswagen AG and the Volkswagen Group are managed by the Volkswagen AG Board of Management in accordance with the Volkswagen AG Articles of Association and the rules of procedure for Volkswagen AG's Board of Management issued by the Supervisory Board.

Accordingly, responsibilities in the Board of Management are currently divided among ten Board functions. In addition to the "Chair of the Board of Management" function the other Board functions are "Technology", "Finance and Operations" (formerly "Finance"), "Human Resources and Trucks brand group" (formerly "Human Resources and Truck & Bus"), "Integrity and Legal Affairs", "Progressive brand group" (formerly "Premium"), "Sport Luxury brand group" (formerly "Sport & Luxury"), "IT", "China", and "Core brand group" (formerly "Volume"). The Chair of the Board of Management is also responsible for the "Sport Luxury brand group" Board function.

Directly attached to the Board are a number of Group Management functions that act as an extension to the Board functions. These comprise the "Group Sales", "Group Production", "Group Procurement" and "Group Research and Development" functions.

The allocation of responsibilities on the Board of Management is based on the rules of procedure decided by the Supervisory Board. The way this is structured helps the Board of Management to focus on key tasks such as strategy, central decisions on the Company's direction, capital allocation and financial requirements. The task of the extended board-level management functions is to leverage synergies in the Group and to connect the brands and divisions.

Board of Management committees exist at Group level for the following areas: products, technologies, investments, digital transformation, integrity and compliance, risk management, human resources and management issues. In addition to the responsible members of the Board of Management, the relevant central departments and the relevant functions of the divisions are also represented on the committees. We are continually revising and optimizing these and other top management committees in the Group in order to verify that they still align with our corporate strategy and to further increase the efficiency of their decision making. This reduces complexity and reinforces governance within the Group.

As part of the "Group Steering Model" base initiative from the NEW AUTO Group strategy, a new leadership model for the Group was presented at the Capital Markets Day in June 2023 that will sharpen the focus on customer orientation, entrepreneurship and team spirit. It follows the "value over volume" principle, prioritizing sustainable value creation over volume growth. As part of this, the brand groups will receive a new steering model. In addition, the brand positioning and the product range are to be sharpened. The realignment also included a renaming of the brand groups: Volume has become Core, Premium is now called Progressive, Sport & Luxury has been changed to Sport Luxury, and Truck & Bus to Trucks. The Core brand group comprises the Volkswagen Passenger Cars, Škoda, SEAT/CUPRA and Volkswagen Commercial Vehicles brands. The Progressive brand group comprises the Audi, Lamborghini, Bentley and Ducati brands. The Sport Luxury brand group consists of the Porsche brand. The company responsible for this brand, Dr. Ing. h.c. F. Porsche AG (Porsche AG), has been listed on the stock market since the end of September 2022. In the Trucks brand group, TRATON SE acts as the umbrella for the Scania, MAN, Volkswagen Truck & Bus and Navistar commercial vehicles brands. TRATON SE is also a listed company.

Business Development

The world economy recorded positive growth in fiscal year 2023. Global demand for vehicles was noticeably higher than in the previous year. Amid a challenging market environment, the Volkswagen Group delivered 9.2 million vehicles to customers.

DEVELOPMENTS IN THE GLOBAL ECONOMY

The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia, ranging from extensive trade embargoes to the partial exclusion of Russia from the global financial system. Russia itself, in its role as an energy exporter, restricted gas deliveries to Europe. The resulting shortage of supply led particularly in 2022 to rising prices on energy and commodity markets. While prices dropped in the reporting year as a result of weakening momentum in the global economy, they remain at a relatively high level in some cases. Furthermore, salary trends in the overheated labor markets, among other factors, pose the threat of continued high inflation.

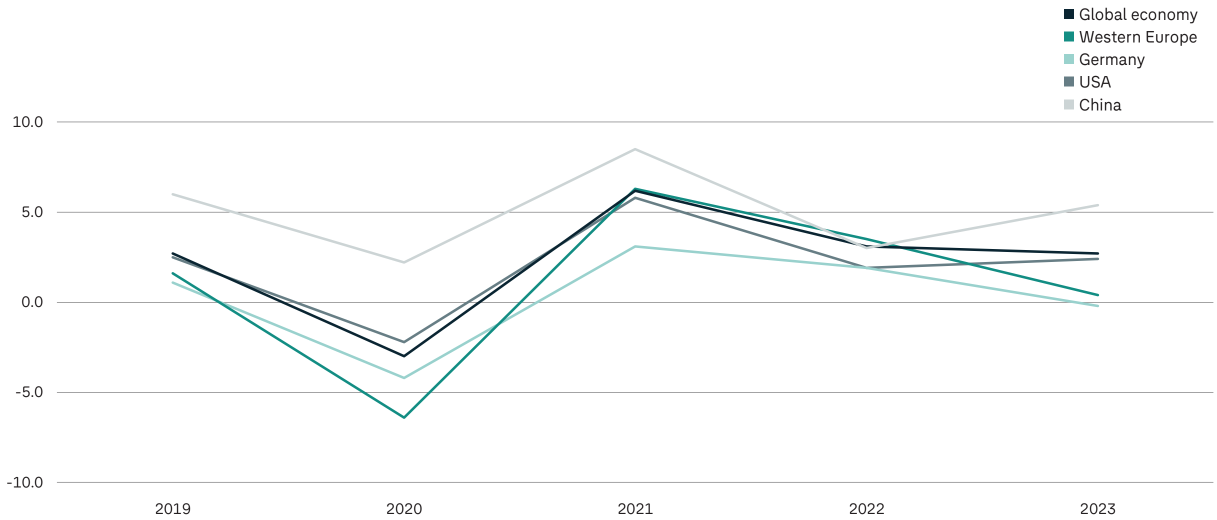
After the slump in global economic output in 2020 and the incipient recovery due to baseline and catch-up effects in 2021, followed by a further normalization of economic activity in 2022 despite the Russia-Ukraine conflict, the global economy recorded positive overall growth of +2.7 (+3.1)% in 2023. The slowdown in economic momentum versus the previous year was mainly due to weaker growth in the advanced economies, whereas the overall rate of change in the emerging markets increased somewhat. At national level, developments depended on the one hand on the intensity with which central banks had to tighten monetary policy to curb the higher inflation – mainly by raising interest rates and reducing bond holdings – which had a negative impact on consumer spending and investment activity. On the other hand, the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict was a decisive factor. Prices for energy and many other raw materials were lower than in the previous year, and shortages of intermediate products and commodities eased somewhat. Global trade in goods expressed in nominal terms decreased in the reporting year.

Europe/Other Markets

The economy in Western Europe recorded positive, yet low overall growth of +0.4 (+3.5)% in 2023. This trend was seen in many countries in Northern and Southern Europe. The main reasons for this were the momentary and in some cases significant increases in energy and commodity prices, which had substantially pushed up inflation rates in the previous year and thus had a negative impact on consumer confidence. Business sentiment also deteriorated on average across all sectors. In addition, the restrictive monetary policy measures taken to rein in inflation impacted both consumer spending and investment.

ECONOMIC GROWTH

Percentage change in GDP



The economies in Central and Eastern Europe recorded real growth in absolute gross domestic product (GDP) of +2.6 (+1.1)% in the reporting year. While economic output in Central Europe saw positive, albeit less dynamic growth of +1.7 (+4.5)%, GDP in the Eastern Europe region rose again in 2023 compared with the prior year for the first time since the outbreak of the Russia-Ukraine conflict, with a growth rate of +3.6 (–2.8)%. Inflation rates across the entire Central and Eastern Europe region declined on average in the reporting year, but remained at a high level.

In Türkiye, economic output for the year 2023 as a whole rose by +3.8 (+5.3)% amid very high inflation and a fall in the value of the local currency. South Africa saw slight GDP growth of +0.6 (+1.9)% in the reporting year, amid persistent structural deficits and political challenges.

Germany

Germany's economic output recorded a negative growth rate of –0.2 (+1.9)% in the reporting year. Compared with the prior year, the seasonally adjusted unemployment figures rose on average. After reaching historically high levels in 2022, monthly inflation rates fell on average over the year, but remained relatively high.

North America

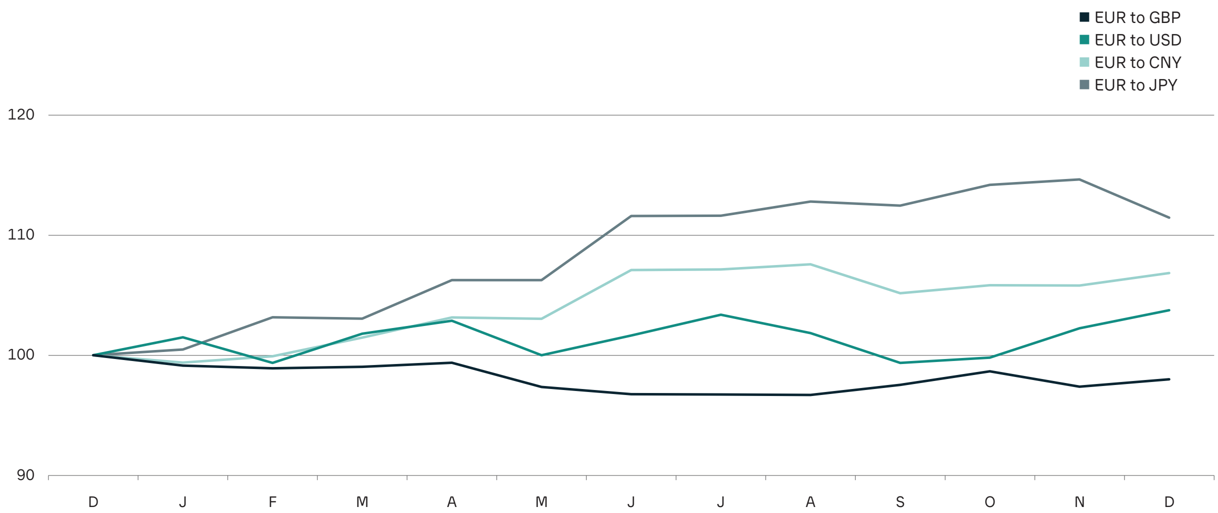
US economic output grew by +2.4 (+1.9)% in the reporting year. In view of high inflation and the tight labor market, the US Federal Reserve maintained its restrictive monetary policy and raised its key interest rate four times over the course of the reporting year. Unemployment remained at a low level in the reporting year. GDP rose by +1.1 (+3.8)% in neighboring Canada and by +3.3 (+3.9)% in Mexico.

South America

Brazil's economy posted GDP growth of +3.0 (+3.1)% in 2023. Argentina registered a negative economic performance with a year-on-year decline in GDP of –1.7 (+5.0)% amid very high inflation and continued depreciation of the local currency.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2022 TO DECEMBER 2023

Index based on month-end prices: as of December 31, 2022 = 100



Asia-Pacific

China's economic output rose faster in the reporting year at +5.4 (+3.0)% compared with the previous year, positively influenced by the revocation of the zero-Covid strategy by the Chinese government. India registered strong growth of +6.9 (+7.3)%. Japan recorded positive growth of +1.9 (+0.9)% year-on-year.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

In fiscal year 2023, the volume of the passenger car market worldwide was noticeably higher than in the prior year at 76.6 million vehicles. Most markets registered growth, which together with weak prior-year figures was attributable to the fact that shortages and disruption in global supply chains eased restricting vehicle availability to a lesser extent. While the supply situation for intermediates improved compared with 2022, the trend in new registrations in individual markets dampened at the end of the previous year, partly as a consequence of the Russia-Ukraine conflict and pull-forward effects generated by state subsidies expiring.

Significant or strong growth was recorded in the overall markets of the Western Europe, Central and Eastern Europe, Middle East and North America regions. The markets of the South America region were slightly higher and the markets of the Asia-Pacific region noticeably higher than the prior-year level. The market in Africa fell slightly short of the prior-year volume.

In the reporting year, the global volume of new registrations for light commercial vehicles was on a level with the previous year (–0.2%).

Sector-specific environment

Along with fiscal policy measures, the sector-specific environment was considerably affected by the economic situation, which contributed to the mixed trends in unit sales in the markets in the fiscal year now ended. While real purchasing power fell in many places and vehicle prices stagnated at a high level, it was possible to reduce the backlog of orders on a large scale due to increased vehicle availability worldwide. The fiscal policy measures included tax cuts or increases, the introduction, expiry and adjustment of incentive programs and sales incentives, as well as import duties. In addition, non-tariff trade barriers to protect the respective domestic automotive industries made the movement of vehicles, parts and components more difficult.

Europe/Other Markets

In Western Europe, the number of new passenger car registrations in the reporting year was significantly higher than the previous year's weak level, increasing by 13.8% to 11.6 million vehicles. The performance of the large individual passenger car markets was consistently positive in fiscal year 2023: France (+16.1%), the United Kingdom (+17.9%), Italy (+18.8%) and Spain (+15.8%) significantly exceeded their respective prior-year levels.

The volume of new registrations for light commercial vehicles in Western Europe was significantly higher than in the previous year, increasing by 16.3%.

The passenger car market volume in the Central and Eastern Europe region increased strongly by 23.6% in fiscal year 2023 to 2.3 million vehicles after a very strong dip in the previous year. The number of sales was also predominantly positive in the individual markets of Central Europe. The Czech Republic and Poland recorded significant growth of 15.3% and 13.0%, respectively.

The market volume of light commercial vehicles in Central and Eastern Europe in the reporting year was noticeably higher than the previous year's figure (+7.3%).

The volume of the passenger car market in Türkiye in the reporting year was up more than 50% on the prior-year level. In South Africa, the growth trend that had persisted since 2021 came to an end, with the number of passenger car sales falling slightly by 3.8%.

The volume of new registrations of light commercial vehicles in Türkiye was very strongly (+38.1%) and in South Africa significantly (+16.5%) higher in the reporting year than the 2022 level.

Germany

At 2.8 million units, the total number of new passenger car registrations in Germany in fiscal year 2023 was noticeably higher than the weak prior-year level (+7.3%). Shortages and disruption in global supply chains eased, improving vehicle availability and allowing the backlog of orders from the previous year to be cleared. The number of passenger cars produced rose by 18.3% to 4.1 million vehicles and exports of passenger cars grew by 17.5% to 3.1 million units.

The number of sales of light commercial vehicles in Germany in the reporting year was significantly up on the 2022 figure (+15.7%).

North America

At 18.6 million vehicles, sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the North America region in fiscal year 2023 were significantly higher than in the prior year (+13.1%). Market growth in the USA, which increased by 12.3% to 15.6 million units, was slightly below the average for this region. The Canadian automotive market also registered a significant increase in sales figures to 1.7 million units (+12.5%) in the reporting year, while new registrations of passenger cars and light commercial vehicles in Mexico saw a strong rise of 25.1% year-on-year to 1.4 million vehicles.

South America

In the South America region, the volume of new passenger car and light commercial vehicle registrations in the reporting year was slightly higher than the prior-year level at 3.7 million units, continuing the positive growth trend that had begun in 2021. In Brazil, the number of new vehicle registrations was significantly higher than the prior-year figure at 2.2 million units (+11.0%). In the Argentinian market, demand for passenger cars and light commercial vehicles in the reporting year also rose significantly by 11.7% to 425 thousand units.

Asia-Pacific

In the Asia-Pacific region, the volume of the passenger car market in fiscal year 2023 was noticeably higher than the previous year's figure at 36.2 million units (+6.6%). The increased demand for passenger cars in the region was primarily determined by the trend in the Chinese passenger car market. Here, state subsidies and incentive programs expired at the end of 2022, causing pull-forward effects in vehicle purchases and consequently reducing the number of vehicle registrations at the beginning of 2023. Since then, demand has recovered, partly as a result of discounts and continuing regional incentive programs, while competition has intensified. Overall,

There was reticence in the market for energy generation in 2023, particularly in Europe. This was due to the gas supply issues and the continued lack of a finalized framework for the future operation of power plants on the part of policymakers. The current focus on the expansion of renewable energy sources was reflected in corresponding potential in the demand for grid balancing facilities. Such facilities are used to meet power requirements if the share of renewables is not sufficient to ensure security of supply. A very positive trend was observed in the demand for power-to-methane plants. In the engines segment, there is a continuously rising demand for flexible dual-fuel engines. There is also a clear demand on the market for engines that can be converted for use with synthetic fuels such as hydrogen and green ammonia. Demand for new energy solutions such as hydrogen and long-term energy storage continued to be strong, with a clear trend towards greater flexibility and decentralized availability. However, the risks of a continued lack of price stability in the markets and the bottlenecks in supply chains were undiminished in the reporting period, as was the strong competitive and price pressure.

There was more movement in the turbomachinery market than in the previous year. Prices for raw materials continued to be high, leading to solid demand in the raw materials and processing industry for production facilities with turbo compressors. Sales of turbo compressors for oil and gas production were up year-on-year, bolstered by the persistently high demand for security of supply, as well as by an investment backlog. Among the new business fields, in the area of decarbonization sales of turbomachinery were up year-on-year. Demand for steam turbines used for power generation and gas turbines used for decentralized, industrial combined-heat-and-power installations was lower than in the previous year.

In 2023, the after-sales market for engines in the marine and power plant business was at the same high level as in the previous year.

In the after-sales market for turbomachinery, demand in the reporting year was up on the prior-year level.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was at a high level in fiscal year 2023; however, higher interest rates put pressure on demand for financial services in almost all regions.

The European passenger car market was still affected by shortages in the reporting year. Vehicle deliveries nevertheless increased and were up on the prior-year period. Demand for financial services products also grew; however, as a percentage of vehicle deliveries, the figure was down on the equivalent figure for 2022. The positive trend in the financing of used vehicles continued. The sale of after-sales products such as servicing, maintenance and spare parts agreements continued to expand.

In Germany, the persistent challenges presented by parts supply in vehicle production and by logistics chains continued to impact vehicle sales and the financial services business. Nevertheless, the increase in deliveries of new vehicles led to a higher volume of contracts in 2023. New vehicle penetration was down on the comparative figure for 2022, however. New contracts for used vehicles were on a level with the previous year. The number of new after-sales contracts increased and in the reporting year was above the level seen in 2022.

The Turkish market experienced considerable volatility. A combination of sharp interest rate hikes, the weak currency, persistently high inflation and a refinancing environment that continued to be challenging kept lending practices restrictive. Used cars continued to command high prices, despite the first signs of a decline.

In South Africa, financed vehicle purchases remained at a comparatively low level due to the subdued economic conditions, higher vehicle prices and increased energy prices. However, inflation eased, and after increasing interest rates ten times in succession from November 2021 onwards, the South African Reserve Bank did not raise interest rates again.

Compared with the previous year, the markets in the North America region developed positively on the whole in 2023, with demand for vehicles rising. Despite higher interest rates, new vehicle penetration in the USA and Canada was also above the previous year's level, particularly in the leasing business. In Mexico, meanwhile, the

Navistar electrified American school transportation with the CE school bus from IC Bus.

In 2023, Volkswagen Truck & Bus adapted its models in line with Brazil's new emissions legislation and rolled out its first zero-emission vehicle in South America, the eDelivery.

Ducati presented the new Panigale V4 R, the Monster SP and the Multistrada V4 Rally. The Streetfighter and the Diavel are now also available as V4 models. The second generation of the Scrambler family ushered in three new models: the Icon, Full Throttle and Nightshift.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 9,239,512 vehicles to customers worldwide in fiscal year 2023. This was 11.8% or 976,751 units more than in the previous year, which had suffered in particular from the limited availability of Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting year. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the year. Sales of both passenger cars and commercial vehicles were up year-on-year. In the following, we report separately on deliveries in the Passenger Cars Business Area and the Commercial Vehicles Business Area.

VOLKSWAGEN GROUP DELIVERIES[1]

	2023	2022	%
Passenger Cars	8,901,338	7,957,274	+11.9
Commercial Vehicles	338,174	305,487	+10.7
Total	**9,239,512**	**8,262,761**	**+11.8**

1 The figures include the equity-accounted Chinese joint ventures. Prior-year deliveries have been updated to reflect subsequent statistical trends.

GLOBAL DELIVERIES BY THE PASSENGER CARS BUSINESS AREA

With its passenger car brands, the Volkswagen Group is present in all relevant automotive markets around the world. The key sales markets currently include Western Europe, China, the USA, Brazil, Türkiye, Mexico, Poland and Czech Republic.

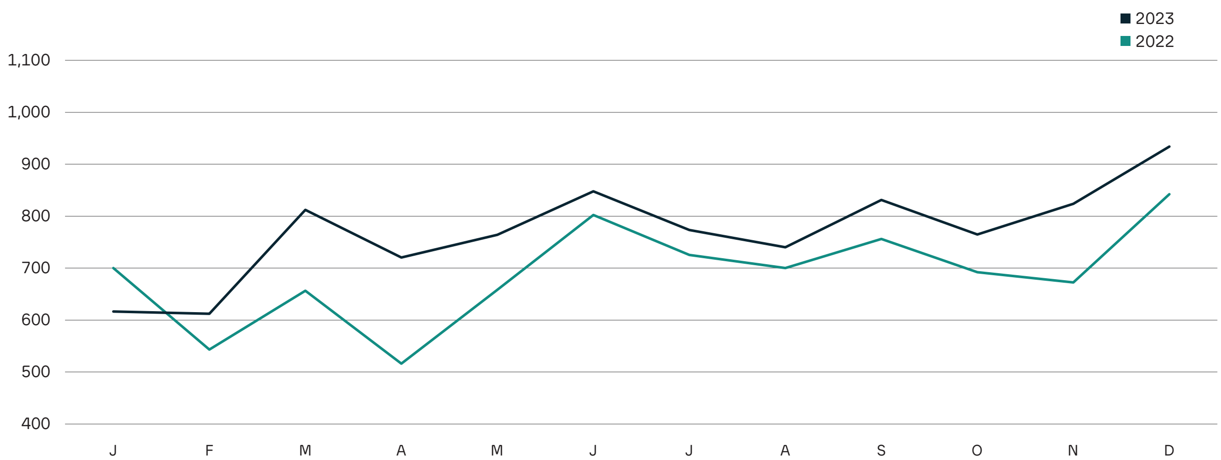
Sales of Volkswagen Group passenger cars and light commercial vehicles worldwide increased to 8,901,338 units in fiscal year 2023. This was 11.9% or 944,064 vehicles more than in the previous year, which had suffered in particular from the limited availability of Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting year. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the year. With the exception of Bentley, all Volkswagen Group brands delivered more vehicles to customers than in the previous year. We recorded an increase in deliveries to customers in all major individual markets as well as in all sales regions around the world.

The Group's e-mobility campaign continued to move ahead successfully; we delivered 771,062 all-electric vehicles to customers worldwide in the reporting year. This was 198,590 or 34.7% more units than in the previous year. Their share of the Group's total deliveries rose to 8.3 (6.9)%. Deliveries to customers of our plug-in hybrid models amounted to 256,449 (+4.4%). Total electric vehicle deliveries went up by 25.6% and their share of total Group deliveries rose year-on-year to 11.1 (9.9)%. The Group's most successful all-electric vehicles included the ID.4 and ID.3 from Volkswagen Passenger Cars, the Škoda Enyaq iV, the CUPRA Born, the ID. Buzz from Volkswagen Commercial Vehicles, the Audi Q4 e-tron and Audi Q8 e-tron, as well as the Porsche Taycan and Taycan Cross Turismo.

In an overall global market that saw noticeable growth, we achieved a passenger car market share of 11.1 (11.0)%.

VOLKSWAGEN GROUP DELIVERIES BY MONTH

Vehicles in thousands



The table at the end of this section gives an overview of passenger car deliveries to customers of the Volkswagen Group in the regions and the key individual markets. The sales figures for Group models in these markets and regions are explained below.

Deliveries in Europe/Other Markets

In Western Europe, the Volkswagen Group delivered 3,141,434 vehicles to customers in 2023 in an overall market experiencing significant growth. This was 20.1% more than in the weak prior-year, which had suffered in particular from the limited availability of Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting year. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the year.

Customer interest in the Volkswagen Group's electrified vehicles was strongest in Western Europe, where we delivered almost three-quarters of our plug-in hybrids and more than half of our all-electric models to customers in fiscal year 2023. In this region, electrified vehicles accounted for 19.8 (19.1)% of the Group's total deliveries; the share of all-electric vehicles stood at 14.0 (12.6)%. The Group models with the highest sales volume were the T-Roc, Polo, Tiguan and Golf from the Volkswagen Passenger Cars brand. Other models that witnessed encouraging demand included the ID.4, Taigo, Passat Estate and ID.3 from Volkswagen Passenger Cars, the Octavia Combi, Enyaq iV and Kamiq from Škoda, the Arona and Ibiza from SEAT, the CUPRA Formentor, CUPRA Born and CUPRA Leon, the ID. Buzz from Volkswagen Commercial Vehicles, the A3 Sportback, A1 Sportback, Q2, Q3 Sportback and Q4 e-tron from Audi, as well as the Porsche Macan and the Porsche 911 coupé. In the reporting year, the ID.3, ID.7 and the Touareg from the Volkswagen Passenger Cars brand, the Audi Q8 e-tron and the Porsche Cayenne were among the models that were successfully introduced to the market as new or successor models. The Volkswagen Group's share of the passenger car market in Western Europe increased to 24.5 (23.3)%.

In the Central and Eastern Europe region, the number of vehicles handed over to customers in 2023 was up 13.3% year-on-year. The market as a whole recorded strong volume growth at the same time. Demand developed encouragingly for a number of models, including the Taigo from Volkswagen Passenger Cars, as well as for the Škoda Octavia and Škoda Kamiq. The Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region declined to 19.4 (21.5)%.

WORLDWIDE DELIVERIES OF THE MOST SUCCESSFUL GROUP MODEL RANGES IN 2023

Vehicles in thousands

In Türkiye, where the overall passenger car market expanded very strongly, the Volkswagen Group delivered 61.6% more vehicles to customers in the past fiscal year than in 2022. The Polo from Volkswagen Passenger Cars was the most sought-after Group model. In the South African market, the number of Group models sold decreased by 3.2%, while the overall market likewise narrowed slightly. The Polo from the Volkswagen Passenger Cars brand was also the most sought-after Group model in this region.

Deliveries in Germany

In Germany, the number of vehicles delivered to Volkswagen Group customers in an overall market registering noticeable growth was up 14.4% in 2023 on the weak prior-year period, which had suffered in particular from the limited availability of Group models attributable to the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting year. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the year.

The Group models with the highest sales volume were the T-Roc, Golf, Passat and Tiguan from the Volkswagen Passenger Cars brand. In addition, models such as the ID.4 and ID.5 from Volkswagen Passenger Cars, Škoda's Octavia Combi and Enyaq iV, SEAT's Arona, the CUPRA Born and CUPRA Leon, the ID. Buzz from Volkswagen Commercial Vehicles, and the A4 Avant, Q2, Q4 e-tron and A1 Sportback from the Audi brand all saw encouraging demand. Seven Group models led the *Kraftfahrt-Bundesamt* (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the Golf, T-Roc, Tiguan, Passat, Audi A6, Multivan/Transporter and Porsche 911. The Golf was again the most popular passenger car in Germany in terms of registrations in 2023.

Deliveries in North America

In the reporting year, the number of Volkswagen Group models delivered to customers in North America increased by 18.4% year-on-year in an overall market experiencing significant growth. The share of all-electric vehicles in the Group's total deliveries rose to 8.5 (5.9)% in this region. The Tiguan Allspace and Taos from Volkswagen Passenger Cars were the most sought-after Group models in North America, along with the Audi Q5. The Atlas from Volkswagen Passenger Cars, the Audi Q8 e-tron and the Porsche Cayenne were among the successor models that were successfully launched on the market during the reporting year. The Group's share of the market in this region amounted to 4.8 (4.6)%.

In fiscal year 2023, the Volkswagen Group delivered 13.3% more vehicles to customers in the significantly expanding US market than in the previous year, in which parts supply shortages in particular had likewise had an adverse effect. The Group models to record the greatest increases in absolute terms included the ID.4 from Volkswagen Passenger Cars as well as the Audi Q5 and the Audi Q7. In addition, the Atlas from Volkswagen Passenger Cars, the Audi Q4 e-tron and the Porsche Macan, among others, performed encouragingly. The volume of all-electric vehicles delivered in the United States went up by 60.8% year-on-year to 71,041 units.

In Canada, the number of vehicles delivered to Volkswagen Group customers was up 28.1% in the reporting year compared with 2022. The market as a whole recorded significant growth at the same time. The Group models with the highest volume of demand were the Tiguan Allspace and the Taos from the Volkswagen Passenger Cars brand, along with the Audi Q5.

In Mexico, where the market as a whole saw strong growth, we sold 37.3% more vehicles to customers in the past fiscal year than in 2022. Demand developed encouragingly for, among others, the Taos, Virtus and Jetta from Volkswagen Passenger Cars.

Deliveries in South America

In the South American market for passenger cars and light commercial vehicles, which was slightly higher than in the previous year, the number of Group models handed over to customers in 2023 was up 17.2% on the prior-year figure. The Polo, T-Cross and Nivus from Volkswagen Passenger Cars were the Group models with the highest sales volumes. The new Polo Track was successfully introduced to the market in the reporting year. The Group's share of the market in South America rose to 12.6 (11.1)%.

In the Brazilian market, which performed significantly better than in the previous year, the Volkswagen Group delivered 28.4% more vehicles to customers in the reporting year. The development of the sales of the Polo, Saveiro and Virtus models from Volkswagen Passenger Cars was particularly encouraging.

In Argentina, the number of Volkswagen Group vehicles handed over to customers in 2023 increased by 20.0% year-on-year in an overall market exhibiting significant growth. Group models with the highest sales volume were the Taos from Volkswagen Passenger Cars and the Amarok from Volkswagen Commercial Vehicles.

Deliveries in the Asia-Pacific region

In the past fiscal year, the Volkswagen Group saw deliveries to customers in the Asia-Pacific region rise by 2.3% compared with 2022 in a market that experienced noticeable growth overall. The Group's share of the passenger car market in this region amounted to 9.9 (10.3)%.

In China, the overall market volume likewise recorded noticeable growth compared with the previous year, in which parts supply shortages, in particular of semiconductors, and local lockdowns intended to curb the spread of the SARS-CoV-2 virus had an adverse effect. The Volkswagen Group delivered 1.6% more vehicles to customers there than in 2022. In addition to parts supply shortages, the increasing intensity of competition, especially for electrified vehicles, had a negative impact in the reporting year. The number of all-electric vehicles delivered to customers in China was 23.2% higher year-on-year at 191,781 units. Their share of the Group's total deliveries in China rose to 5.9 (4.9)%. The Group models with the highest sales volume were the Lavida, Sagitar, Passat and Magotan from Volkswagen Passenger Cars and the Audi A6. In addition, the Tiguan Allspace, Tyron, ID.3 and Tavendor from Volkswagen Passenger Cars and the Q4 e-tron, A7 saloon, Q7, Q5 e-tron and Q6 from Audi saw an encouraging increase in demand. The Tharu, T-Roc, Lavida XR and ID.7 VIZZION from Volkswagen Passenger Cars, the Audi Q3 and the Porsche Cayenne, among others, were introduced to the market as new or successor models in the reporting year.

In the Indian passenger car market, which registered noticeable growth, the Volkswagen Group recorded a 4.0% year-on-year increase in demand in fiscal year 2023. The Taigun from the Volkswagen Passenger Cars brand as well as the Kushaq from Škoda were the most sought-after Group models there. In addition, the Virtus from Volkswagen Passenger Cars and the Kodiaq from Škoda, which were introduced to the market as new or successor models during the previous year, saw encouraging development in demand.

In Japan, the number of Group vehicles delivered to customers in 2023 was up 7.4% year-on-year in an overall market that performed significantly better than in the previous year. The Group models with the highest sales volume were the T-Roc, the Golf and the T-Cross from the Volkswagen Passenger Cars brand.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE
	2023	2022	(%)
Europe/Other Markets	**3,953,397**	**3,297,388**	**+19.9**
Western Europe	**3,141,434**	**2,615,863**	**+20.1**
of which: Germany	1,141,418	998,000	+14.4
France	263,643	211,430	+24.7
United Kingdom	489,088	377,449	+29.6
Italy	269,479	223,864	+20.4
Spain	232,483	192,310	+20.9
Central and Eastern Europe	**474,357**	**418,513**	**+13.3**
of which: Czech Republic	123,471	103,223	+19.6
Russia	3,504	41,864	–91.6
Poland	140,518	112,389	+25.0
Other Markets	**337,606**	**263,012**	**+28.4**
of which: Türkiye	166,001	102,735	+61.6
South Africa	69,150	71,437	–3.2
North America	**899,652**	**759,791**	**+18.4**
of which: USA	639,622	564,705	+13.3
Canada	110,019	85,860	+28.1
Mexico	150,011	109,226	+37.3
South America	**465,842**	**397,539**	**+17.2**
of which: Brazil	356,682	277,806	+28.4
Argentina	57,931	48,263	+20.0
Asia-Pacific	**3,582,447**	**3,502,556**	**+2.3**
of which: China	3,233,933	3,182,428	+1.6
India	101,553	97,610	+4.0
Japan	65,635	61,112	+7.4
Worldwide	**8,901,338**	**7,957,274**	**+11.9**
Volkswagen Passenger Cars	4,866,803	4,563,327	+6.7
Škoda	866,820	731,262	+18.5
SEAT	519,176	385,591	+34.6
Volkswagen Commercial Vehicles	409,406	328,572	+24.6
Audi	1,895,240	1,614,231	+17.4
Lamborghini	10,112	9,233	+9.5
Bentley	13,560	15,174	–10.6
Porsche	320,221	309,884	+3.3

1 The figures include the equity-accounted Chinese joint ventures. Prior-year deliveries have been updated to reflect subsequent statistical trends.

Charging and Energy

Since 2021, the Charging and Energy area has played a key role in the Volkswagen Group's e-mobility strategy with the aim of becoming a leading provider of a smart charging and energy ecosystem.

As part of the strategic alignment, the Group is focusing on two key areas. Firstly, sales of electric vehicles are being underpinned by the development of a global fast-charging infrastructure. In Europe, the Group and its brands are involved in the pan-European joint venture IONITY, the Ewiva joint venture in Italy and other partnerships. By 2025, the number of public fast-charging points in Europe is to increase to 18,000. At the same time, both the North American charging network Electrify America – already one of the largest public charging networks in the USA – is to be expanded to 8,000 fast-charging points and CAMS in China is to be enlarged to 17,000 fast-charging points. Secondly, the Group is opening up new business models involving smart charging and energy solutions. The Group operates as one of the largest vehicle-charging subscription providers in Europe with its charging and energy brand Elli. Its charging network offers access to over 600,000 charging points Europe-wide with approximately 35,000 fast-charging points in 27 countries. In addition, Elli's product portfolio also includes the full range of charging solutions for private customers and companies, from the Company's own wall box to the flexible fast-charging station Flexpole and smart charging solutions. As part of a pilot project involving the smart control of stationary batteries, Elli also began trading electricity in 2023. This makes Volkswagen the first automotive group to trade on the EPEX Spot power exchange.

Volkswagen Group Components

The independent corporate entity Volkswagen Group Components, under the umbrella of Volkswagen AG, forms the third pillar of the "Technology" Board function. Some 70,000 staff with expertise in developing and manufacturing vehicle components work worldwide in more than 60 plants at 45 sites.

The product portfolio is focused on technical components such as chassis, axle systems, steering, transmission, electric drives, thermal management systems in the electric drivetrain and battery systems.

With its entry into e-mobility, Volkswagen Group Components were able to work systematically on optimizing the electric drivetrain thanks to close cooperation between product management and development. In 2023, it debuted the new, highly efficient APP550 electric drive, which features both higher performance and improved efficiency. The new powertrain was developed by Volkswagen Group Components together with Technical Development at Volkswagen Passenger Cars and is being used for the first time in the Volkswagen ID.7. It is produced at Volkswagen's site in Kassel.

Platform Business

The fourth pillar of the "Technology" Board function is Platform Business (third-party business), which pools Group-wide responsibility for the sale of platforms and components to external companies. This organizational unit is responsible for the successful initiation, acquisition (including contract design) and support of customer projects including the related order processing (logistics, billing). In the cooperation project with Ford, the necessary cross-brand structures and processes have been created within the Volkswagen organization so that other external customers can also be efficiently served in the future. Ford plans to produce approximately 1.2 million MEB-based vehicles for the European market by the end of the decade. In 2023, the automaker presented the Ford Explorer, the first model based on the MEB. Volkswagen is also continuing to explore a supply agreement with Indian automaker Mahindra for MEB components such as electric motors and battery cells.